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FCC 96-117

Before the  
**FEDERAL COMMUNICATIONS COMMISSION**  
Washington, D.C. 20554

In the Matter of )  
 )  
Implementation of Section 301(j) of the )  
Telecommunications Act of 1996 ) CS Docket No. 96-57  
 )  
Aggregation of Equipment Costs )  
By Cable Operators )  
 )

**NOTICE OF PROPOSED RULEMAKING**

Adopted: March 18, 1996

Released: March 20, 1996

By the Commission:

Comment date: Fifteen days from publication in the Federal Register.

Reply comment date: Ten days after comments are due.

**I. INTRODUCTION**

1. In this *Notice of Proposed Rulemaking* ("NPRM"), we propose to amend our rules to implement Section 301(j) of the Telecommunications Act of 1996 ("1996 Act")<sup>1</sup> which adds a new Section 623(a)(7) to the Communication Act of 1934, as amended ("Communications Act").<sup>2</sup> Section 301(j) of the 1996 Act requires that the Commission allow cable operators to aggregate, on a franchise, system, regional, or company level, their equipment costs into broad categories regardless of the varying levels of functionality of the equipment within each such broad category.<sup>3</sup> That section also provides that "[s]uch aggregation shall not be permitted with respect to equipment used by subscribers who receive only a rate regulated basic tier."

**II. BACKGROUND**

2. In *Implementation of Sections of the Cable Television Consumer Protection and*

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<sup>1</sup> Pub. L. No. 104-104, 110 Stat. 56 (1996).

<sup>2</sup> Pub. L. No. 102-385, §§ 3, 9, 14, 106 Stat. 1460 (1992) amended by Telecommunications Act of 1996, Pub. L. 104-104, 110 Stat. 56 (1996).

<sup>3</sup> Communications Act, § 623(a)(7)(A), 47 U.S.C. § 543(a)(7)(A).

*Competition Act of 1992: Rate Regulation, Report and Order and Further Notice of Proposed Rulemaking in MM Docket No. 92-266 ("Rate Order"),*<sup>4</sup> the Commission established rules to implement the cable television rate regulation provisions of the 1992 Cable Act.<sup>5</sup> The 1992 Cable Act and the rules promulgated in the *Rate Order* provided for regulation of the basic service tier by local franchising authorities,<sup>6</sup> and of the cable programming services tier by the Commission.<sup>7</sup> The 1992 Cable Act also requires that rates for equipment and installations be based on actual costs.<sup>8</sup> Rates for equipment used to receive residential cable service generally are regulated by the local franchising authority pursuant to rules promulgated by the Commission.<sup>9</sup> Under our current regulations, cable operators establish an Equipment Basket<sup>10</sup> to which they assign recoverable costs of providing and servicing customer equipment. FCC Form 1205 provides the methodology and guidelines for determining the actual cost of each piece of equipment and of installations. Pursuant to the Commission's implementing regulations, the local franchising authorities then review the equipment rates as part of their review of the rate justifications for basic rates filed by the cable operator.<sup>11</sup>

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<sup>4</sup> 8 FCC Rcd 5631 (1993).

<sup>5</sup> Cable Television Consumer Protection and Competition Act, Pub. L. No. 102-385, §§ 3, 9, 14, 106 Stat. 1460 (1992), *amended by* Telecommunications Act of 1996, Pub. L. 104-104, 110 Stat. 56 (1996).

<sup>6</sup> The basic service tier must include: (1) all local commercial and noncommercial educational television and qualified low power station signals carried to meet carriage obligations imposed by Sections 614 and 615 of the Communications Act; (2) any public, educational, and governmental access programming required by the franchise to be provided to subscribers; and (3) any signal of any television broadcast station except a signal that is secondarily transmitted by a satellite carrier beyond the local service area of such a station. Communications Act, § 623(b)(7)(A), 47 U.S.C. § 543 (b)(7)(A).

<sup>7</sup> A cable programming service is "any video programming provided over a cable system, regardless of service tier, including installation or rental of equipment used for the receipt of such video programming, other than (A) video programming carried on the basic service tier, and (B) video programming offered on a per channel or per program basis." Communications Act, § 623(1)(2), 47 U.S.C. § 543(1)(2).

<sup>8</sup> Communications Act, § 623(b)(3), 47 U.S.C. § 542(b)(3).

<sup>9</sup> See 47 C.F.R. §§ 76.922-76.923, 76.944-76.945.

<sup>10</sup> The Equipment Basket includes all costs recoverable under Commission rules for providing, leasing, installing, repairing, and servicing customer equipment.

<sup>11</sup> See 47 C.F.R. §§ 76.922-76.923, 76.944-76.945.

3. With respect to aggregating equipment by categories, the Commission's current rules require separate charges for each "significantly different" type of remote, converter box, and other customer equipment.<sup>12</sup> Installation charges are based on the hourly service charge multiplied either by the actual time spent on each individual installation or by the average time spent for each specific type of installation.<sup>13</sup>

4. With respect to aggregating equipment on organizational levels, cable operators are permitted to aggregate costs at the franchise, system, regional, and/or company level in a manner consistent with accounting practices of the operator on April 3, 1993.<sup>14</sup> Our current rules are not clear on whether a local franchising authority can require an operator to disaggregate equipment costs to a lower geographic level in setting rates in a particular franchise or whether FCC Form 1205, used by cable operators for setting equipment and installation rates, requires that a higher level of aggregation of costs in the Equipment Basket be used when pricing the individual types of equipment. In fact, we have been informed that some localities have rejected aggregated region and company-wide costing proposals submitted by cable operators.

5. Further, the Commission's rules permit small system operators to average their equipment costs at any level, regardless of the operator's practices as of April 3, 1993, subject to safeguards designed to protect subscribers from unusual rate changes.<sup>15</sup> That approach reduced the administrative burdens associated with setting unbundled equipment rates based on actual costs. However, we only permitted this flexibility for equipment costs, as opposed to installation charges.<sup>16</sup> This was done because we believed that equipment charges were less likely to vary significantly between systems, whereas installation charges are more dependent on local labor and other costs that can vary between communities.<sup>17</sup>

6. Section 301(j) of the 1996 Act amends Section 623(a) of the Communications Act by adding the following subsection (7):

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<sup>12</sup> 47 C.F.R. §§ 76.923(f), (g).

<sup>13</sup> 47 C.F.R. § 76.923(e).

<sup>14</sup> 47 C.F.R. § 76.923(c).

<sup>15</sup> 47 C.F.R. § 76.923(l). Second Order on Reconsideration, Fourth Report and Order, and Fifth Notice of Proposed Rulemaking in MM Docket 92-266, ("*Benchmark Order*") FCC 94-38, 9 FCC Rcd 4119 (1994). This approach allowed small system operators to base equipment rates on actual costs and average those costs at an organizational level selected by the operator.

<sup>16</sup> *Benchmark Order*, 9 FCC Rcd at 4220.

<sup>17</sup> *Benchmark Order*, 9 FCC Rcd at 4227-28.

**(7) Aggregation of Equipment Costs**

(A) In General - The Commission shall allow cable operators, pursuant to any rules promulgated under subsection (b)(3), to aggregate, on a franchise, system, regional, or company level, their equipment costs into broad categories, such as converter boxes, regardless of the varying levels of functionality of the equipment within each such broad category. Such aggregation shall not be permitted with respect to equipment used by subscribers who receive only a rate regulated basic service tier.

(B) Revision to Commission Rules; Forms - Within 120 days of the date of enactment of the Telecommunications Act of 1996, the Commission shall issue revisions to the appropriate rules and forms necessary to implement subparagraph (A).

7. In this *NPRM*, we propose changes to our rules to effectuate this statutory provision, and seek comment on such proposals. In implementing Section 301(j), we seek to minimize administrative and regulatory burdens associated with setting equipment rates under our rules. We also note that Section 623(b)(3) of the Communications Act continues to require that equipment rates be based on actual cost.

### **III. DISCUSSION**

#### **A. Cost Categorization**

8. Section 301(j) of the 1996 Act requires the Commission to allow regulated operators to aggregate "their [customer] equipment costs into broad categories, such as converter boxes, regardless of the varying levels of functionality of the equipment within each such broad category." We tentatively conclude that the statute intends that equipment be classified and placed in categories based on the primary purpose of the equipment.

9. We propose to amend the Equipment Basket provisions in Section 76.923(c) to allow categorization of customer equipment costs into broad categories. We further propose eliminating the language in Sections 76.923(f) and (g) that requires separate charges for each significantly different type of remote control device, converter box, and other customer equipment. We propose amending the rules to require that equipment be categorized based on its primary purpose. Thus, customer equipment, except equipment used by basic-only subscribers, that is used for the same purpose may be aggregated into the same broad category and priced at the same rate, regardless of the level of functionality. We seek comment on whether the Commission should establish a definition of the term "level of functionality" in order to bring more certainty to these new rules. If commenters believe we should do so, they should propose a definition of that term. Because equipment rates to subscribers must be based on actual costs, operators must base equipment charges on the same aggregation level as their costs. We propose amending our rules to make this explicit. Section 76.923(l) currently permits small systems to average costs for "similar types of equipment" on a company-wide basis. We propose eliminating this section since all systems shall be permitted to aggregate equipment pursuant to the new provisions in the 1996 Act.

10. Section 76.923(h) currently contains language that effectively requires separate charges for connections, which includes inside wire, additional outlets and signal boosters, if needed, used to provide cable service to additional television receivers. That language was included to implement Section 623(b)(3) of the Communications Act of 1934, as amended, which specifically required rates for installation and monthly use of connections for additional television receivers be separate from rates for the initial receiver. Therefore, we tentatively conclude that additional connections may not be aggregated with initial connections into a broad category.

#### **B. Organizational Levels**

11. In light of new section 623(a)(7), we propose that Section 76.923(c) of our rules be amended to specifically permit customer equipment cost aggregation at the franchise, system, regional, or company level. Because equipment rates to subscribers must be based on actual costs, operators must base equipment charges on the same aggregation level as their costs. We propose amending our rules to make this explicit. Furthermore, to the extent that our current rules permit cost aggregation of equipment only in a manner consistent with an operator's practices on April 3, 1993, we propose eliminating this date restriction.<sup>18</sup> We tentatively conclude that such a restriction would improperly prevent an operator from aggregating costs at higher organizational levels, as specifically permitted in the statute.

12. We tentatively conclude that Congress did not intend that cost aggregation be permitted to the same extent for installation charges. We reach this tentative conclusion because Section 301(j) of the 1996 Act refers only to equipment and not to installations, whereas the 1992 Cable Act separately mentions installations.<sup>19</sup> Consistent with our small system rules, we believe that customer equipment charges are less likely to vary significantly between systems, whereas installation charges are more dependent on local labor and other costs that can vary between communities. We recognize, however, that this requirement could impose additional burdens on cable operators, since customer equipment rates could be set at higher organizational levels than installation rates. We therefore propose that operators be permitted to aggregate installation costs based on specific service areas designated for the aggregation of those costs. Under this approach, a rate could be established for installation for a specific service area that is chosen by the operator because the costs of providing installation are substantially similar throughout all franchises in that chosen service area. We seek comment on this approach. We also seek comment on whether there are alternative levels at which installation costs could be identified that would ease burdens on operators, yet still comport with Congressional intent.

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<sup>18</sup> See 47 C.F.R. § 76.923(c).

<sup>19</sup> See Communications Act, § 623(b)(3), 47 U.S.C. § 542(b)(3).

### **C. Basic-Only Subscriber Equipment**

13. The 1996 Act prohibits "[s]uch aggregation . . . with respect to equipment used by subscribers who receive only a rate regulated basic service tier." We tentatively conclude that Congress was concerned that basic-only subscribers not subsidize the costs of more sophisticated equipment used by subscribers taking services in addition to basic. Therefore, we tentatively conclude that equipment used by basic-only subscribers may not be aggregated into broad categories. We propose amending Section 76.923(c) to provide that the cost of equipment used by basic service-only customers may not be averaged with other customer equipment. However, the statute is not clear as to whether a cable operator may aggregate the costs of equipment used by basic-only customers at higher organizational levels and developing system, regional, or company average prices for such equipment. Although we recognize this ambiguity, we believe that allowing cable companies to aggregate the costs of equipment used by basic service-only customers at a higher organizational level and develop a rate based upon such aggregation does not contravene Congress' concern that basic-only subscribers not subsidize the costs of more sophisticated equipment used by subscribers taking other services in addition to basic. Any aggregation of the costs of basic service-only equipment at a higher organizational level will still only include equipment for that level of service. We seek comment on this issue.

### **D. Equipment Rates Jurisdiction and Review**

14. Affected local franchising authorities will continue to review the equipment rates and supporting aggregated cost data as part of the review of the cable operators' rate justifications for basic rates. We recognize that the review of aggregated cost data regarding equipment by each of the affected local franchising authorities could lead to varying analyses and potentially inconsistent orders regarding that data. We seek comment on whether there is an alternative that could be more administratively efficient for local franchising authorities and cable operators alike.

### **E. FCC Form 1205**

15. Because of our above tentative conclusions and proposed rules changes, we believe that FCC Form 1205 will need to be modified. We are proposing revisions to Form 1205 and seek comment on these revisions. The pages of Form 1205 containing revisions are attached as Appendix B.

## **IV. PROCEDURAL PROVISIONS**

### **A. Ex Parte Presentations**

16. This is a non-restricted notice-and-comment rulemaking proceeding. *Ex parte* presentations are permitted, except during the Sunshine Agenda period, provided that they are disclosed as provided in the Commission's rules. *See generally* 47 C.F.R. Sections 1.1202, 1.1203, 1.1206(a).

## **B. Initial Regulatory Flexibility Analysis**

17. Pursuant to Section 603 of the Regulatory Flexibility Act, the Commission has prepared the following initial regulatory flexibility analysis ("IRFA") of the expected impact of these proposed policies and rules on small entities. Written public comments are requested on the IRFA. These comments must be filed in accordance with the same filing deadlines as comments on the rest of the *NPRM*, but they must have a separate and distinct heading designating them as responses to the IRFA. Our initial regulatory flexibility analysis under the Regulatory Flexibility Act indicates that if the proposed rule changes are promulgated, there will not be a significant economic impact on a substantial number of small business entities, as defined by Section 601(3) of the Regulatory Flexibility Act and that any impact will be to give operators new, less burdensome options to comply with our rules. We are committed to reducing the regulatory burdens on small cable operators whenever possible, consistent with our other public interest responsibilities. The Secretary shall send a copy of this *NPRM* of Proposed Rulemaking to the Chief Counsel for Advocacy of the Small Business Administration in accordance with Section 603(a) of the Regulatory Flexibility Act, 5 U.S.C. Sections 601, *et seq.* (1981).

18. The Commission issues this *NPRM* to consider the changes needed to permit cable operators to aggregate equipment costs into broad categories and at the organizational level of their choice, as required by Section 301(j) of the 1996 Act.

19. *Objectives.* To solicit comments on the rule changes needed to implement Section 301(j) of the 1996 Act.

20. *Legal Basis.* Action as proposed for this rulemaking is contained in Section 301(j) of the 1996 Act.

21. *Description, Potential Impact and Number of Small Entities Affected.* The proposals, if adopted, will not have a significant effect on a substantial number of small entities. The proposed rules changes would provide all regulated entities with new options, but would not require them to change the methodology by which they currently justify equipment rates. Thus, any economic impact of the rule changes will be positive.

22. *Reporting, Recordkeeping and Other Compliance Requirements.* None.

23. *Federal Rules which Overlap, Duplicate or Conflict with these Rules.* None

24. *Any Significant Alternatives Minimizing Impact on Small Entities and Consistent with Stated Objectives.* None.

## **C. Comment Filing Procedures**

25. Pursuant to applicable procedures set forth in Sections 1.415 and 1.419 of the

Commission's rules, 47 C.F.R. Sections 1.415, 1.419, interested parties may file comments on or before 15 days after publication in the Federal Register, and reply comments on or before 10 days after the comment due date. To file formally in this proceeding, interested parties must file an original and four copies of all comments, reply comments, and supporting comments. We find these periods for the filing of comments and reply comments to be reasonable in light of the 1996 Act's mandate that the Commission issue revisions to the appropriate rules and forms concerning the aggregation of equipment costs within 120 days of enactment. *See Florida Power & Light Co. v. United States*, 846 F.2d 765 (D.C. Cir. 1988) *cert. denied*, 490 U.S. 1045 (1989). Any party that wishes each Commissioner to receive a personal copy of its comments, must file an original and nine copies. Comments and reply comments should be limited to 25 pages, with reasonable margins and font size of at least 12 points, and sent to Office of the Secretary, Federal Communications Commission, 1919 M Street, N.W., Room 222, Washington, D.C. 20554, with a copy to Lenworth Smith, Jr. of the Cable Services Bureau, 2033 M Street, N.W., Room 805E, Washington, D.C. 20554. Comments and reply comments will be available for public inspection during regular business hours in the FCC Reference Center, 1919 M Street, N.W., Room 239, Washington, D.C. 20554.

#### **D. Paperwork Reduction Act**

26. *Initial Paperwork Reduction Act of 1995 Analysis.* This *NPRM* proposes a modified information collection for FCC Form 1205. As part of its continuing effort to reduce paperwork burdens, we invite the general public and the OMB to take this opportunity to comment on the information collections contained in this *NPRM*, as required by the Paperwork Reduction Act of 1995, Pub. L. No. 104-13. Public and agency comments are due at the same time as other comments on this *NPRM*; OMB comments are due 60 days from date of publication of this *NPRM* in the Federal Register. Comments should address: (a) whether the proposed collection of information is necessary for the proper performance of the functions of the Commission, including whether the information shall have practical utility; (b) the accuracy of the Commission's burden estimates; (c) ways to enhance the quality, utility, and clarity of the information collected; and (d) ways to minimize the burden of the collection of information on the respondents, including the use of automated collection techniques or other forms of information technology.

27. Written comments by the public on the proposed and/or modified information collections are due on or before 15 days after publication in the Federal Register, and reply comments on or before 10 days after the comment due date. Written comments must be submitted by the Office of Management and Budget ("OMB") on the proposed and/or modified information collections on or before 60 days after date of publication in the Federal Register. In addition to filing comments with the Secretary, a copy of any comments on the information collections contained herein should be submitted to Dorothy Conway, Federal Communications Commission, Room 234, 1919 M Street, N.W., Washington, DC 20554, or via the Internet to [dconway@fcc.gov](mailto:dconway@fcc.gov) and to Timothy Fain, OMB Desk Officer, 10236, NEOB, 725 - 17th Street, N.W., Washington, DC 20503 or via the Internet to [fain\\_t@al.eop.gov](mailto:fain_t@al.eop.gov).

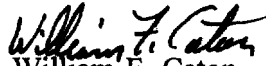


## V. ORDERING CLAUSES

28. Accordingly, IT IS ORDERED that, pursuant to Sections 4(i), 4(j), 303(r), and 623 of the Communications Act of 1934, as amended, 47 U.S.C. Sections 154(i), 154(j), 303(r), and 543, NOTICE IS HEREBY GIVEN of proposed amendments to Part 76, in accordance with the proposals, discussions, and statement of issues in the *Notice of Proposed Rulemaking*, and that COMMENT IS SOUGHT regarding such proposals, discussion, and statement of issues.

29. IT IS FURTHER ORDERED that, the Secretary shall send a copy of this *Notice of Proposed Rulemaking*, including the regulatory flexibility certification, to the Chief Counsel for Advocacy of the Small Business Administration, in accordance with paragraph 603(a) of the Regulatory Flexibility Act, 5 U.S.C. Sections 601 *et seq.* (1981).

FEDERAL COMMUNICATIONS COMMISSION

  
William F. Caton  
Acting Secretary

## APPENDIX A

Title 47, Part 76 of the Code of Federal Regulations is proposed to be amended as follows:

1. The authority citation for Part 76 continues to read as follows:

AUTHORITY: Secs. 2, 3, 4, 301, 303, 307, 308, 309, 48 Stat. as amended, 1064, 1065, 1066, 1081, 1082, 1083, 1084, 1085, 1101; 47 U.S.C. Secs. 152, 153, 154, 301, 303, 307, 308, 309, 532, 535, 542, 543, 552, as amended, 106 Stat. 1460.

2. Section 76.923 is amended by revising paragraphs (c ), (f), and (g), removing paragraph (l) and redesignating paragraph (m) as paragraph (l) and revising it to read as follows:

**§ 76.923 Rates for equipment and installation used to receive the basic service tier.**

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(c) *Equipment basket.* A cable operator shall establish an Equipment Basket, which shall include all costs associated with providing customer equipment and installation under this section. Equipment Basket costs shall be limited to the direct and indirect material and labor costs of providing, leasing, installing, repairing, and servicing customer equipment, as determined in accordance with the cost accounting and cost allocation requirements of § 76.924, except that operators do not have to aggregate costs in a manner consistent with the accounting practices of the operator on April 3, 1993. The Equipment Basket shall not include general administrative overhead including marketing expenses. The Equipment Basket shall include a reasonable profit.

- (1) *Customer Equipment.* Costs of customer equipment included in the Equipment Basket may be aggregated, on a franchise, system, regional, or company level, into broad categories. Except to the extent indicated in subparagraph (2) below, such categorization may be made, provided that each category includes only equipment having the same primary purpose, regardless of the levels of functionality of the equipment within each such broad category. When submitting its equipment costs based on average charges, the cable operator must provide a general description of the averaging methodology employed and a justification that its averaging methodology produces reasonable equipment rates.
- (2) *Basic Service Tier Only Equipment.* Costs of customer equipment included in the Equipment Basket, which is used by subscribers who receive only a rate regulated basic service tier, shall not be aggregated into broad cost categories. Costs of each significantly different type of equipment must be classified into specific equipment cost categories. The costs shall not be averaged with the costs of equipment that is used by subscribers who receive only a rate regulated basic service tier.

- (3) **Installation Costs.** Installation costs may be aggregated only for a specific service area, to the extent that the costs of providing installation are substantially similar throughout all franchises in that service area.

\*\*\*\*\*

- (f) **Remote charges.** Monthly charges for rental of a remote control unit shall consist of the average annual unit purchase cost of remotes leased, including acquisition price and incidental costs such as sales tax, financing and storage up to the time it is provided to the customer, added to the product of the HSC times the average number of hours annually repairing or servicing a remote, divided by 12 to determine the monthly lease rate for a remote according to the following formula:

$$\text{Monthly Charge} = \frac{\text{UCE} + (\text{HSC} \times \text{HR})}{12}$$

Where, HR = average hours repair per year; and UCE = average annual unit cost of remote.

- (g) **Other equipment charges.** The monthly charge for rental of converter boxes and other customer equipment shall be calculated in the same manner as for remote control units. Separate charges may be established for each category of other customer equipment.

\*\*\*\*\*

- (l) Cable operators shall set charges for equipment and installations to recover Equipment Basket costs. Such charges shall be set, consistent with the level at which Equipment Basket costs are aggregated as provided in § 76.923(c). Cable operators shall maintain adequate documentation to demonstrate that charges for the sale and lease of equipment and for installations have been developed in accordance with the rules set forth in this section.

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## APPENDIX B

### Changes to the Instructions for FCC Form 1205

## FCC FORM 1205 INSTRUCTIONS FOR DETERMINING COSTS OF REGULATED CABLE EQUIPMENT AND INSTALLATION

### "Equipment Form"

...

#### Overview

This form comprises the following sections: ...

- *Schedule C: Capital Costs of Leased Customer Equipment.* This schedule computes the annual capital costs for each type ~~for category~~ of customer premises equipment that you offer in connection with regulated service. The method of computing capital costs is the same as that used in Schedule A.

...

#### General Instructions

...

The data ~~{may be identified at the level of organization at which the records are kept, e.g., system-wide}~~ ~~[for installations (included in Schedules A and C) may be identified only for a specific service area, to the extent that the costs of providing installations are attributable to that specific service area in that service area. The data for customer equipment (included in Schedule C) may be identified on a franchise, system, regional, or company level].~~ For purposes of calculating cable service rates on an FCC Form 1200, 1220, or 1225, the cost data developed on this Form 1205 must be adjusted to the franchise area level (see Worksheet for Calculating Permitted Equipment and Installation Charges or Worksheet for Calculating Total Equipment and Installation Costs below for instructions).

...

#### If You Need Help

If you have any questions while completing this Form, please call the FCC's Cable Services Bureau ~~{regional help lines}~~ between 9:30 a.m. and 5:30 p.m. Eastern Standard Time on Monday through Friday ~~[at (202) 418-2361.]~~

~~{ NORTHEAST~~

~~202 416 0859 SOUTHEAST~~

~~202 416 0860 CENTRAL~~  
~~202 416 0876 WESTERN~~  
~~202 416 0953 Connecticut~~  
~~District of Columbia~~  
~~Delaware~~  
~~Maine~~  
~~Maryland~~  
~~Massachusetts~~  
~~New Hampshire~~  
~~New Jersey~~  
~~New York~~  
~~Pennsylvania~~  
~~Rhode Island~~  
~~Vermont~~  
~~West Virginia~~ Alabama  
~~Arkansas~~  
~~Florida~~  
~~Georgia~~  
~~Kentucky~~  
~~Louisiana~~  
~~Mississippi~~  
~~North Carolina~~  
~~Puerto Rico~~  
~~South Carolina~~  
~~Tennessee~~  
~~Texas~~  
~~Virginia~~  
~~U.S. Virgin Islands~~ Illinois  
~~Indiana~~  
~~Iowa~~  
~~Kansas~~  
~~Michigan~~  
~~Minnesota~~  
~~Missouri~~  
~~Nebraska~~  
~~North Dakota~~  
~~Ohio~~  
~~Oklahoma~~  
~~South Dakota~~  
~~Wisconsin~~ Alaska  
~~Arizona~~  
~~California~~  
~~Colorado~~  
~~Guam~~  
~~Hawaii~~  
~~Idaho~~  
~~Marshall Islands~~

~~Montana~~  
~~Nevada~~  
~~New Mexico~~  
~~Oregon~~  
~~Utah~~  
~~Washington~~  
~~Wyoming~~

## **FCC NOTICE TO INDIVIDUALS REQUIRED BY THE PRIVACY ACT AND THE PAPERWORK REDUCTION ACT**

The solicitation of personal information in this form is authorized by the Communications Act of 1934, as amended. The Commission and/or the local franchising authority will use the information provided in this form to determine the reasonableness of a cable company's rates. In reaching that determination, or for law enforcement purposes, it may become necessary to provide personal information contained in this form to another government agency. If information requested on this form is not provided, processing may be delayed. All information provided in this form will be available for public inspection. Your response is required to apply the Commission's cable rate standards and to provide a response to consumer complaints. ~~[Respondents are not required to respond to this collection of information unless it displays a currently valid Office of Management and Budget control number.]~~

Public reporting burden for this information is estimated to average 20 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to the Federal Communications Commission, Records Management Division, Washington, D.C. 20554, ~~and to the Office of Management and Budget, Paperwork Reduction Project (3060-0592), Washington, D.C. 20503.~~ Do not send completed forms to ~~these addresses~~ ~~[this address]~~.

**THE FOREGOING NOTICE IS REQUIRED BY THE PRIVACY ACT OF 1974, P.L. 93-579, DECEMBER 31, 1975, 5 U.S.C. 522a(e)(3) AND THE PAPERWORK REDUCTION ACT OF ~~[1980, 96-511, DECEMBER 11, 1980]~~ ~~[1995, 104-13, May 22, 1995]~~, 47 U.S.C. 3507.**

## INSTRUCTIONS FOR SCHEDULE C CAPITAL COSTS OF LEASED CUSTOMER EQUIPMENT

Schedule C computes the annual capital costs of equipment leased to customers. Follow the instructions below for each type ~~[or category]~~ of leased equipment.

Note: ~~Subscriber drops may not be included on this Schedule. The demarcation point for cable home wiring in single unit dwellings is 12 inches outside of the point where the cable wire enters the outside wall of the subscriber's premises. For multi dwelling units, the demarcation point is 12 inches outside of the point where the cable enters the outside wall of the subscriber's individual dwelling unit. Therefore, subscriber drops~~ [up to the Commission-defined cable network demarcation point at the customer's premises] are considered network equipment and may not be included as customer equipment on Schedule C.

**Line A      Equipment.** List all customer equipment for which ~~[you wish]~~ there ~~[is]~~ [to be] a separate charge~~{}.~~[ You may calculate separate charges for specific types of equipment] including different models of remote control units, different types of converter boxes, and other equipment (e.g., splitters and amplifiers). ~~[However, at your option, customer equipment may instead be listed in broad categories, provided that each category includes only equipment having the same primary purpose, regardless of the levels of functionality of the equipment within each broad category. Except, customer equipment which is used by subscribers who receive only a rate regulated basic service tier, shall not be aggregated into broad cost categories. Costs of each significantly different type of equipment must be classified into specific equipment cost categories. The costs shall not be averaged with the costs of equipment that is used by subscribers who receive only a rate regulated basic service tier. In addition, with respect to the lease of cable connections, the cost of additional connections may not be aggregated with the cost of initial connections.]~~

On an attached sheet, list separately each type ~~[or category]~~ of other equipment for which you plan to develop a separate charge and provide the necessary information as required on lines A through K of Schedule C to compute the charge. A separate charge must be developed for each ~~[significantly different]~~ type ~~[or category]~~ of ~~[other customer]~~ equipment. Enter in the "Other Equipment" column of Schedule C the total figures for the equipment included on your attachment.

**INSTRUCTIONS FOR SCHEDULE D  
AVERAGE HOURS PER INSTALLATION**

...

**WORKSHEET FOR CALCULATING PERMITTED  
EQUIPMENT AND INSTALLATION CHARGES**

**Step A: Hourly Service Charge (HSC).**

The Hourly Service Charge (HSC) is designed to recover the costs of service installation and maintenance of customer equipment. The HSC will be used as a factor in developing permitted charges for installation and monthly lease of individual pieces of equipment. To calculate the HSC, you will compute your annual capital costs plus expenses for the maintenance of customer equipment and the installation of basic tier service. You will divide the total costs and expenses by the total number of person-hours spent on those activities over the past year.

The HSC ~~(is based on a system's)~~ ~~[includes the]~~ annual capital costs for installing, maintaining, and repairing customer equipment ~~[for the specific service area to which this filing applies]~~; the capital cost of the customer equipment itself, however, is not recovered through the HSC. That cost is recovered through the lease of that type of equipment (see Steps C through E of the Worksheet for Calculating Permitted Equipment and Installation Charges).

Note 1: If an expense amount is included on Schedule B for equipment sent out for repair, an appropriate adjustment to the total labor hours reported on this Form must be made. This adjustment adds "equivalent labor hours" to the total company labor hours. This may be calculated, for example, as total costs included on Schedule B for work sent out for repair divided by the average company technician wage rate. The total cost may be recovered by including the average hours in the computation for the appropriate equipment charges computed in Steps C through E. In any case that an amount is included on Schedule B for work sent out for repair, explain all the adjustments made on the Worksheet. This explanation must include the number of hours added on line 6 below as well as a description of and the number of hours added into the charges developed in Steps C through E.

Note 2: With respect to the calculation for labor costs associated with installation of the drop up to the ~~[Commission-defined cable network]~~ demarcation point ~~-(12 inches from)-~~ ~~[at]~~ the customer's premises, you have two options. The first option is to include the labor costs associated with subscriber drops in the charges for installations. The second option is to capitalize such costs in distribution plant as part of the cost of drops. (In this case, the labor cost for drops is recovered in the charges for cable services only -- not in installation or customer equipment charges.) If the second option is chosen, the costs and the associated hours must be eliminated from the charges for all customer equipment and installation charges. This choice relates specifically and exclusively to the costs and charges associated with those initial installations that include subscriber drops. This choice does not include labor costs associated with equipment or inside wiring located on customer premises.



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#### Step C. Charges for Leased Remotes.

The rental charge for remote control units is designed to recover the costs of providing and maintaining each type [or category] of remote control unit leased by subscribers and includes a reasonable profit. The charge determined in this step will not reflect the costs of installation. ~~{Commission rules require cable operators to calculate separately the charges}~~ ~~[You must repeat the following substep calculations for each significantly different type {of remote control unit. Therefore, you must repeat the following substep calculations for each significantly different type} [or category] of remote listed in Schedule C. Describe each type [or category] of remote in detail sufficient to identify differences among types [and/or categories]. Attach extra sheets as needed.~~

- Line 10**      **Total Maintenance/Service Hours.** Enter the total maintenance and/or service hours for each type [or category] of remote from the corresponding column on Schedule C, line B.
- Line 11**      **HSC.** Enter the HSC from line 7.
- Line 12**      **Total Maintenance and Service Cost.** Multiply line 10 by the HSC listed on line 11. The result is the total annual cost for repairing and servicing each type [or category] of remote.
- Line 13**      **Annual Capital Costs.** Enter the annual capital costs for each type [or category] of remote from the corresponding column of line K on Schedule C.
- Line 14**      **Total Cost of Remote.** Add line 12 to line 13. The sum is the total annual cost for each type [or category] of remote.
- Line 15**      **Number of Units in Service.** Enter the number of units of each type [or category] of remote in service from the appropriate column of line C on Schedule C.
- Line 16**      **Unit Cost.** Divide line 14 by 15. The result is the annual unit cost of each type [or category] of remote.
- Line 17**      **Rate per Month.** Divide the figure from line 16 by the number 12. The result will be the monthly cost of each type [or category] of remote including a reasonable profit. This figure is the maximum permitted monthly lease charge for each type [or category] of remote.

#### Step D. Charges for Leased Converter Boxes.

The rental charge for a converter box is designed to recover the costs of providing and maintaining that type [or category] of converter box leased by a subscriber and includes a reasonable profit. ~~{Commission rules require an operator to calculate separately the charges for each significantly different type of converter box. For example, an addressable converter box and a converter box that acts solely as a tuner would be considered significantly different. Therefore, you}~~ ~~[You]~~ must repeat the calculations in the

following substeps for each type [or category] of converter box listed in Schedule C. Describe each type [or category] of converter box in detail sufficient to identify differences among types [and/or categories]. Attach extra sheets as needed.

- Line 18**      **Total Maintenance/Service Hours.** Enter the total maintenance and/or service hours for each type [or category] of converter box from the corresponding column of line B on Schedule C.
- Line 19**      **HSC.** Enter the HSC from line 7.
- Line 20**      **Total Maintenance and Service Cost.** Multiply the figure from line 18 by the HSC listed on line 19. The result is the total annual cost for repairing and servicing each type [or category] of converter box.
- Line 21**      **Annual Capital Costs.** Enter the annual capital costs for each type [or category] of converter box from the corresponding column of line K on Schedule C.
- Line 22**      **Total Cost of Converters.** Add line 20 to line 21. The sum is the total annual cost for each type [or category] of converter box.
- Line 23**      **Number of Units in Service.** Enter the number of units of each type [or category] of converter box from the corresponding column of line C on Schedule C.
- Line 24**      **Unit Cost.** Divide line 22 by line 23. The result is the annual unit cost of each type [or category] of converter box.
- Line 25**      **Rate per Month.** Divide the figure on line 24 by the number 12. The result is the monthly cost of each type [or category] of converter box including a reasonable profit. This figure is the maximum permitted monthly lease charge for each type of converter box.

#### **Step E. Charges for Other Leased Equipment.**

The rental charge for other leased equipment is designed to recover the costs of providing and maintaining that equipment leased by a subscriber and includes a reasonable profit. ~~{Such other equipment would include, for example, cable home wiring. An operator is permitted, but not required, to calculate charges for each significantly different type of other equipment.}~~ An operator choosing to establish charges for different types of other equipment must repeat the calculations in the following substeps for each type [or category] of other equipment listed in Schedule C. Describe each type [or category] of additional leased equipment in detail, e.g., additional connections. Attach extra sheets as needed.